

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector	(2) MEETING DATE 7/8/2014	(3) CONTACT/PHONE Brian Spaulding (805) 788-2963																					
(4) SUBJECT Request to approve an interim year rate adjustment for the garbage hauling services provided by South County Sanitary Service (2.05%) and San Luis Garbage Company (2.93%). Districts 2, 3, 4 and 5.																							
(5) RECOMMENDED ACTION It is recommended that your Board approve an interim year rate increase of 2.05% for South County Sanitary Service and 2.93% for San Luis Garbage Company, to be effective August 1, 2014, as detailed in the following attachments:																							
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">Exhibit</th> <th style="width: 20%;">Company Name</th> <th style="width: 15%;">Adjustment Type</th> <th style="width: 55%;">Areas Served</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">A</td> <td>South County Sanitary Services, Inc.</td> <td>2.05% - Interim Year Rate Adjustment</td> <td>Avila Beach, Urbanized Rural Arroyo Grande & Halcyon Area, Nipomo Bluff Area (Non-Nipomo Community Service District), and Nipomo Mesa Area.</td> </tr> <tr> <td style="text-align: center;">B</td> <td>South County Sanitary Services, Inc.</td> <td>2.05% - Interim Rate Adjustment</td> <td>Rural Arroyo Grande and other unincorporated areas of South San Luis Obispo County.</td> </tr> <tr> <td style="text-align: center;">C</td> <td>San Luis Garbage Company, Inc.</td> <td>2.93% - Interim Rate Adjustment</td> <td>Airport, Rolling Hills, Country Club, Evans Road, Davenport Creek areas.</td> </tr> <tr> <td style="text-align: center;">D</td> <td>San Luis Garbage Company, Inc.</td> <td>2.93% - Interim Rate Adjustment</td> <td>Rural areas around the City of San Luis Obispo.</td> </tr> </tbody> </table>				Exhibit	Company Name	Adjustment Type	Areas Served	A	South County Sanitary Services, Inc.	2.05% - Interim Year Rate Adjustment	Avila Beach, Urbanized Rural Arroyo Grande & Halcyon Area, Nipomo Bluff Area (Non-Nipomo Community Service District), and Nipomo Mesa Area.	B	South County Sanitary Services, Inc.	2.05% - Interim Rate Adjustment	Rural Arroyo Grande and other unincorporated areas of South San Luis Obispo County.	C	San Luis Garbage Company, Inc.	2.93% - Interim Rate Adjustment	Airport, Rolling Hills, Country Club, Evans Road, Davenport Creek areas.	D	San Luis Garbage Company, Inc.	2.93% - Interim Rate Adjustment	Rural areas around the City of San Luis Obispo.
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(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? Yes																				
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____) <input type="checkbox"/> Board Business (Time Est. ____)																							
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A																							
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A																					
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date: _____																					
(17) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>																							
(18) SUPERVISOR DISTRICT(S) District 2 , District 3 , District 4 , District 5																							

County of San Luis Obispo



TO: Board of Supervisors

FROM: Jim Erb, Auditor - Controller - Treasurer - Tax Collector

DATE: 7/8/2014

SUBJECT: Request to approve an interim year rate adjustment for the garbage hauling services provided by South County Sanitary Service (2.05%) and San Luis Garbage Company (2.93%). Districts 2, 3, 4 and 5.

RECOMMENDATION

It is recommended that your Board approve an interim year rate increase of 2.05% for South County Sanitary Service and 2.93% for San Luis Garbage Company, to be effective August 1, 2014, as detailed in the following attachments:

<u>Exhibit</u>	<u>Company Name</u>	<u>Adjustment Type</u>	<u>Areas Served</u>
A	South County Sanitary Services, Inc.	2.05% - Interim Year Rate Adjustment	Avila Beach, Urbanized Rural Arroyo Grande & Halcyon Area, Nipomo Bluff Area (Non-Nipomo Community Service District), and Nipomo Mesa Area.
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D	San Luis Garbage Company, Inc.	2.93% - Interim Rate Adjustment	Rural areas around the City of San Luis Obispo.

DISCUSSION

Historically, garbage rates in the unincorporated areas near Cities and Districts have been tied to the rates approved by the neighboring Cities or Districts due to their similar service levels and proximity. Many of these jurisdictions have adopted a rate setting methodology whereby an in depth base year rate review is prepared every third year and a less detailed interim year rate adjustment is prepared in year two and three of the cycle. The interim year reviews are intended to adjust for only the prior year's cost of living increases and any changes to landfill tipping costs. Currently, the Cities of Arroyo Grande, Grover Beach, Pismo Beach, and San Luis Obispo adhere to this methodology.

South County Sanitary Services provides garbage hauling services to the cities of Arroyo Grande, Grover Beach, and Pismo Beach, and the Oceano CSD and Nipomo CSD. Only 20% of the customer base is represented by the surrounding unincorporated areas of Avila Beach, Nipomo, and Rural Arroyo Grande. San Luis Garbage Company provides garbage hauling services for the City of San Luis Obispo and County areas bordering the City. The City of San Luis Obispo represents over 90% of the customer base with the remaining 10% divided between the Airport/Rolling Hills/Country Club/Evans Road/Davenport Creek areas (6%) and other rural areas (4%).

On May 20, 2014, the City Council of San Luis Obispo approved an interim year solid waste rate increase of 2.93% for San Luis Garbage Company, effective on June 1, 2014. On May 27, 2014, the City Council of Arroyo Grande approved

an interim year solid waste rate increase of 2.05% for South County Sanitary Services, effective on June 1, 2014. On May 19, 2014, the City Council of Grover Beach approved an interim year solid waste rate increase of 2.05% for South County Sanitary Services, also effective on June 1, 2014.

It is noted that these proposed increases are subject to Proposition-218 election. As such, there is a chance voters could decide to block this rate increase request. In this case, we would recommend that the applicable hauling company not increase their rates on the associated unincorporated areas in order to maintain consistency with the corresponding Cities. Since service is not mandatory in the County regulated area, this recommended rate adjustment is not subject to the Prop-218 provision. Therefore, barring the event that voters take such action, we are recommending the same respective rate increases for San Luis Garbage and South County Sanitary Services, as detailed in Exhibits A-D, to be effective August 1, 2014, due to the 30-day notice requirement by the County of San Luis Obispo. This is intended to allow for consistency among the Cities and County hauling rates.

OTHER AGENCY INVOLVEMENT/IMPACT

Auditor-Controller Treasurer Tax Collector's staff has worked with the County's Public Works Solid Waste Coordinator in the preparation of this request.

FINANCIAL CONSIDERATIONS

The County will receive a slight increase in franchise fee revenues; overall there will be no significant financial impact to the County budget.

RESULTS

Interim year rate adjustments enable garbage companies to maintain established profit margins while continuing to provide solid waste services to the public at reasonable rates. The final result would be greater compliance with your Board's desire for a healthier, more livable and well governed community.

ATTACHMENTS

1. Exhibit A - South County Sanitary Services, Inc.: Avila Beach, Urbanized Rural Arroyo Grande & Halcyon Area, Nipomo Bluff Area (Non-Nipomo Community Service District), and Nipomo Mesa Area
2. Exhibit B - South County Sanitary Services, Inc.: Rural Arroyo Grande and other unincorporated areas of South San Luis Obispo County
3. Exhibit C - San Luis Garbage Company: Airport, Rolling Hills, Country Club, Evans Road, Davenport Creek areas
4. Exhibit D - San Luis Garbage Company: Rural Areas near the City of San Luis Obispo